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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001853

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SUBJECT: PRESIDENT CHEN DECIDES TO YIELD SOME OF HIS POWERS
TO PREMIER SU

Classified By: AIT Deputy Director David J. Keegan
Reasons: 1.4 (b/d)

¶1. (C) Summary: President Chen on May 31 made a surprise announcement that he would yield some powers to Premier Su and refrain from making major government policy and personnel decisions other than in defense, foreign affairs, and cross-Strait relations. NSC Secretary General Chiou I-jen told the Director that Chen had grown tired of corruption allegations and intended his move to break the current political gridlock and restore party unity. Two of Chen's closest advisors will step down immediately to reinforce the decision. Two normally well-informed DPP legislators told AIT they were surprised by Chen's decision, which both believe will strengthen Premier Su. End Summary.

¶2. (SBU) President Chen on the evening of May 31 convened a high-level meeting of DPP leaders and senior advisors to announce that he would: limit himself to the President's constitutional responsibility for foreign, cross-Strait, defense, and security affairs; yield to the Premier his decision-making authority over Executive Yuan policy and cabinet appointments; discontinue coordination meetings with the Premier and party Chairman; and discontinue Presidential Office policy and press coordination meetings with the EY, the DPP, and DPP Legislative Yuan (LY) caucus. Chen also announced that he would no longer campaign on behalf of DPP candidates.

The View from the NSC

¶3. (C) NSC Secretary General Chiou I-jen told the Director that Chen had taken this step in an effort to break through the current political gridlock. According to Chiou, he hoped that this would encourage DPP unity, which would also have a positive impact as the party prepares for the 2008 presidential election. He insisted that criticism by the opposition and even the DPP had not been a major factor. Chen chose to emphasize the three centers -- DPP party, Premier, and LY caucus -- to remove himself as the focus of policy coordination. He had grown tired of being accused of using his regular coordinating meetings to organize a cover up for DPP corruption.

¶4. (C) Chiou said that the next announcement, this evening, will be that two of Chen's closest advisors and assistants -- Presidential Office Deputy Secretary General Ma Yung-cheng and NSC Senior Advisor Lin Chin-chang -- will both step down,

effective immediately. This will demonstrate the seriousness of the President's efforts to make serious changes since both Ma and Lin have been with him for fifteen years. If only Ma had left there would have inevitably been claims that he was resigning to accept responsibility for corrupt practices of which he has been accused, Chiou explained. The simultaneous departure of Lin, who has not been accused of corruption, shows that the move is not related to the scandal accusations. Ma and Lin have a unique personal chemistry with the President and their departure will force Chen to make some difficult adjustments, Chiou noted. The NSC will also be reorganized to reflect the devolution of responsibilities from the Presidential Office to the Executive Yuan. Chiou said that he expects the President will wait a certain period, perhaps two or three weeks, and then meet with him to consider next steps.

Uncertainty in the DPP

15. (C) Two normally well-plugged in DPP legislators both told AIT they were surprised and not very clear about Chen's action. Bikhim Hsiao suggested that Chen was returning to the prescribed constitutional order in response to criticisms that he had interfered too much in Executive Yuan and personnel issues. Chen's continued direct control of foreign policy, defense, security and cross-Straits affairs, however, would limit the effect of any changes. Also, Chen might resume a more activist role down the road after laying low for a while. Hsiao predicted that Chen's move will strengthen Premier Su by increasing his authority and his room to maneuver. Strengthening Su will help, not undermine, party unity, she believed. Hsiao was uncertain whether Chen's statement would help him weather the current

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corruption scandal crisis involving the detention of his son-in-law Chao Chien-ming. It is not clear how much more there is that has not yet been uncovered, she noted, stressing that the scandal is generating a great deal of concern at DPP grassroots level.

6 (C) Hong Chi-chang, a heavyweight legislator from the DPP New Tide faction, told us he could not yet gauge the significance of Chen's decision. He saw three possible explanations for Chen's surprise action: it could be political posturing, an emotional reaction, or a well thought-out plan. Regardless, Hong questioned Chen's move: first, there was no prior internal coordination within the DPP, and second, cancellation of high-level coordination meetings would make governance more, not less, difficult. Hong doubted that Chen's statement would help him escape the still unfolding scandal surrounding his son-in-law though he personally believed that Chen himself was clean. Hong did not, however, rule out possible problems involving First Lady Wu Shu-chen or government officials who might be involved with Chao. Chen's move has increased Premier Su's power and his vulnerability at the same time, Hong said, explaining that in the future Su will be blamed for problems that previously would have been ascribed to Chen.

Comment

17. (C) Whether or not one believes Chiou's insistence that weeks of unrelenting attacks on President Chen and his family were not a major factor behind last night's dramatic announcement, the personally unpalatable decision to have two of his closest aides step down demonstrates that this is more than window dressing. Clearly, Chen has decided that some painful choices were unavoidable. Whether these steps will suffice to quell the storm or to rebuild DPP unity and prospects before 2008 remains to be seen, though Chen's move appears for now to have muted some of the attacks from within his own party. However, Chen's actions could add to the ongoing confusion and turmoil in DPP politics. Premier Su

Tseng-chang, the most promising DPP presidential candidate

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for 2008, has an unexpected opportunity at least for the moment. He may find it a challenge to survive that opportunity.

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